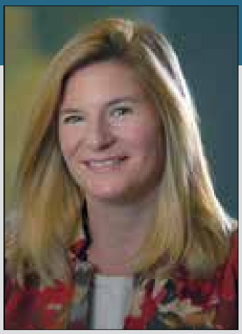
LOOK AGAIN



Failing to Plan Is Planning to Fail, for Both Advisors and Clients

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Probably the biggest issue facing the financial services industry today is managing the implications of the new Department of Labor (DOL) fiduciary rule. The rule will have significant impact on advisors in the retirement industry. They will need to prove that they put their clients' best interests first when providing retirement savings and investment advice.

Advisors will need to provide new clients contracts that explicitly state this, and they will need to inform existing clients of the new contract requirements. They will also need a "best interest contract exemption" (BICE) if they expect to receive commissions on product sales. Creating and maintaining new compliance procedures will also take effort.

This could lead to more advisors leaving the business, particularly those who are older and less willing to adapt their practices. For those who elect to stay in business, there is an opportunity to demonstrate the value they bring to their clients. New LIMRA Secure Retirement Institute research suggests formal, written retirement planning may offer advisors a way to improve retirement outcomes for their clients.[1] It also helps them build stronger, lasting relationships with those clients and demonstrate that their advice supports their clients' financial goals.

The study finds that clients with written retirement plans are more likely to feel confident and prepared for retirement. In fact, half of pre-retirees with a formal, written plan consider themselves very prepared for retirement, while less than 1 in 5 of those without a plan feel the same. Also, clients with a written plan are more likely to consider asset consolidation and to develop a strategy for guaranteed income generation. Further, our research shows these clients are also twice as likely to convert a portion of their assets into a guaranteed income product.

Retirees face many financial risks, including rising health care costs, potential inflation, and market instability. These factors can wreak havoc on hard-earned retirement savings. The process of developing a formal, written plan usually addresses these concerns. It also involves identifying sources of income (including when to claim Social Security), considering long-term care coverage, and managing debt — which will be an increasingly common need. Formal, written plans also can address legacy goals such as estate planning and charitable giving, which offer the advisor a way to discuss appropriate insurance options.

These plans can also increase customer satisfaction and loyalty. Clients have more favorable opinions of financial planners who create them. They see them as more accessible, as having a better understanding of long-term needs, and as more likely to put their clients' interests first. They believe they are better at anticipating financial needs. Moreover, nearly two thirds of clients whose advisor created a formal plan say they are comfortable referring their advisor to their friends and family. (Compare this to less than half of those whose advisor did not create a plan.)

With all this in mind, you might assume that advisors are already developing these plans. But, in fact, our research shows that only 1 in 7 advisors currently offer written retirement planning to all of their clients.

At a time when it's critical for advisors to show their recommendations are in clients' best interests, they must provide evidence that they have well-thought-out and documented plans. In-depth retirement planning will be a key differentiator, and we know that developing formal, written retirement plans offers tremendous value to both clients and advisors. In today's DOL world, this is an excellent achievement.

[1] See Drinkwater, Matthew, "The Power of the Written Word," *LIMRA's MarketFacts Quarterly*, Number 2, 2016 and the 2016 LIMRA Secure Retirement Institute report *The Benefits of Retirement Planning.*